

## **COURT RULES AIK COMP REHABILITATION MAY RESUME**

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Legal challenges had stalled efforts to collect assessments

FRANKFORT, Ky. (April 8, 2005) - Franklin Circuit Court Judge William Graham signed an order April 7 enabling AIK Comp rehabilitator Martin J. Koettters to continue his efforts on behalf of the financially troubled self-insured group workers' compensation fund.

Members of the fund were assessed for a shortfall of \$58.5 million in November 2004. (The actual deficit is now estimated to be at least \$100 million.) Approximately 1,800 of the fund's more than 3,700 members paid at least the first installment of the assessment, resulting in the collection of \$12.2 million in cash. However, some AIK Comp members challenged the assessment in court, stalling the rehabilitation and leading to an order by Judge Graham on Jan. 27 for a 40-day mediation period between the rehabilitator and a group of opposing counsel. The April 7 order, in effect, ends the mediation process.

"This is a very positive outcome for the injured workers of AIK Comp. We will move forward very quickly to reinvigorate the process of collecting assessments, which had been put on hold," said Koettters, who is also executive director of the Kentucky Office of Insurance.

Under the order, Koettters is authorized to collect at least 20 percent of the total due from each member who has not previously paid. Assessments under \$500 will be collected in full.

Governor Ernie Fletcher signed an executive order on Aug. 3, 2004, transferring regulation of self-insured group workers' compensation funds, including AIK Comp, from the Office of Workers' Claims to the Office of Insurance.

Senate Bill 86, which ratified Governor Fletcher's earlier executive order, unanimously passed both houses of the General Assembly and was signed by the Governor on March 1. SB 86 also declares that an emergency exists, makes the statute retroactive to Aug. 1, 2004, and cites the need for stronger oversight of the self-insured group workers' compensation market.

AIK Comp entered into voluntary rehabilitation on Aug. 5, 2004. The fund announced in late December 2004 that it would suspend writing new or renewal business, effective Jan. 1. All policies ended March 1. In addition, 12 members of the AIK Comp staff were terminated at that time.